



Do mutual funds have consistency in their performance?

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Abstract

Using a comprehensive data set of 714 Chinese mutual funds from 2004 to 2015, the study investigates these funds' performance persistence by using the Capital Asset Pricing model, the Fama-French three-factor model and the Carhart Four-factor model. For persistence analysis, we categorize mutual funds into eight octiles based on their one year lagged performance and then observe their performance for the subsequent 12 months. We also apply Cross-Product Ratio technique to assess the performance persistence in these Chinese funds. The study finds no significant evidence of persistence in the performance of the mutual funds. Winner (loser) funds do not continue to be winner (loser) funds in the subsequent time period. These findings suggest that future performance of funds cannot be predicted based on their past performance.

Keywords China · Consistency · Emerging market · Mutual fund · Performance

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